

EXHIBIT G

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE WESTERN DISTRICT OF PENNSYLVANIA
3 ERIE DIVISION

4 - - -

5 UNITED STATES OF AMERICA, ex rel.)
6 DILBAGH SINGH, M.D., PAUL KIRSCH,)
7 M.D., V. RAO NADELLA, M.D.,)
8 and MARTIN JACOBS, M.D.,)

9 Relators,)

10 vs.)

11 BRADFORD REGIONAL MEDICAL CENTER,)
12 V&S MEDICAL ASSOCIATES, LLC,)
13 PETER VACCARO, M.D., KAMRAN SALEH,)
14 M.D., and DOES I through XX,)

15 Defendants.)

Civil Action
No. 0-4-186E

16 - - -

17 DEPOSITION OF GEORGE LEONHARDT
18 TUESDAY, APRIL 1, 2008

19 Deposition of GEORGE LEONHARDT, called as a
20 witness by the Relators, taken pursuant to Notice of
21 Deposition and the Federal Rules of Civil Procedure,
22 by and before Carla L. Lennartz, a Court Reporter and
23 a Notary Public in and for the Commonwealth of
24 Pennsylvania, at the offices of Horthy Sprinter, 4614
25 Fifth Avenue, Pittsburgh, Pennsylvania, commencing at
26 10:00 a.m. on the day and date above set forth.

27 - - -

1 several occasions over a period of a couple of months
2 to try to resolve this issue. The March 8th meeting
3 was one of those meetings.

4 Q. So it might have been scheduled previously?

5 A. It might have been scheduled previously.

6 Q. But by the time of this meeting, you were
7 focusing on the lease concept as opposed to the Under
8 Arrangements concept; correct?

9 A. No, we were focusing on the lease concept as
10 something that we could get done to resolve this
11 dispute at this point in time while we continued to
12 work on the Under Arrangements.

13 Q. When you say as a means to resolve this
14 dispute, I just want to back up one second. One
15 possible means of resolving the dispute was simply for
16 the hospital to say, keep your camera, we're not going
17 to revoke your privileges. That was an option of the
18 hospital; wasn't it?

19 A. Sure it was.

20 Q. And to your knowledge, that option would have
21 been acceptable to Drs. Vaccaro and Saleh?

22 A. I expect it would have been.

23 Q. At the time of this meeting, was the hospital

1 resistant to the idea of doing a lease or was the
2 hospital open to the idea of doing a lease or was the
3 hospital pushing the idea of doing a lease, if you
4 understand?

5 MR. MULHOLLAND: I just object to the
6 form; but he can answer to the extent he can.

7 A. If I was asked to describe it, I would say we
8 were open to the idea of pursuing a lease.

9 Q. V&S, would you describe them as being open to
10 the idea, resistant to it or pushing it?

11 MR. MULHOLLAND: Same objection to form.

12 But you can answer.

13 A. I don't know how to answer that.

14 Q. I suppose the point I'm trying to get at is:
15 Which side was the one who was the advocate for the
16 lease idea?

17 A. My impression was that both sides saw it as a
18 potential way to resolve their dispute and that
19 neither side saw it as perfect or, you know, what they
20 ultimately wanted. It was a way to compromise.

21 Q. Now, at this meeting, is it correct that V&S
22 initially proposed a five-year 2,000 dollar per day
23 lease?

1 great volume on those days.

2 Q. When V&S was making their per diem proposals,
3 was that a seven-day-a-week per diem or a
4 five-day-a-week per diem?

5 A. As the sheet says, they initially talked about
6 a three-day-a-week per diem, then a five-day; and then
7 she points out that our response was not to their
8 liking because it raised the possibility that we could
9 use it for seven days.

10 Q. Now, at this meeting, were you all discussing
11 leaving the camera at V&S or bringing it to the
12 hospital?

13 A. I don't know whether we discussed that or not.
14 I know the hospital's position was that we wanted the
15 camera at the hospital or we wanted a camera at the
16 hospital.

17 Q. You had a camera at the hospital; correct?

18 A. Yeah. We wanted another camera at the
19 hospital.

20 Q. At this time, was the hospital exploring the
21 possibility of getting a camera, a second camera, from
22 somewhere other than V&S?

23 A. We were seeing the need for a second camera.

1 Q. Had you identified any specific vendors or
2 cameras to meet that need other than the V&S one?

3 A. I can't answer whether that occurred in March
4 of 2003 or not; but very close to that time we were
5 evaluating the options as far as kind of camera, the
6 kind of capabilities that we wanted and needed and who
7 that was available from.

8 Q. Now, your initial agreement with V&S was signed
9 in April of 2003; correct?

10 A. I believe there was a -- I'm not sure I'm
11 describing this correctly; but I believe the April
12 agreement was an agreement to agree.

13 Q. So when you say the hospital was exploring the
14 options of other cameras, was it doing that before it
15 entered into the April agreement or afterwards?

16 A. I honestly can't answer some of that because
17 some of that exploration was going on by department
18 managers and people in charge of the diagnostic area
19 who were out there exploring things, you know, prior
20 to my knowing about them.

21 Q. Prior to you entering into the lease with V&S,
22 did anyone ever present to you a proposal to acquire a
23 specific camera?

1 A. Correct.

2 Q. You didn't want three?

3 A. No.

4 Q. Going back to this March 8th meeting, you said
5 the hospital was proposing a monthly figure, you can't
6 remember how much a month; is that correct?

7 A. I know where we ended up. I don't really know
8 where we started.

9 Q. I'm talking this negotiating session.

10 A. Right.

11 Q. You don't know what that number was, what the
12 hospital's number was at the negotiating session?

13 A. No, I do not.

14 Q. Do you know how you arrived at that number?

15 A. Yes, I do.

16 Q. How did you arrive at it?

17 A. We arrived at that number based upon what we
18 thought -- a combination of what we thought the pass
19 through cost was for the actual lease of a camera and
20 our evaluation of what a fair price was for Vaccaro
21 and Saleh to get out of the business.

22 Q. And how did you evaluate what a fair price to
23 Vaccaro and Saleh would be?

1 A. Over this period of time, we had been asking
2 for information about their costs, the revenue that
3 was generated from the camera to the practice.

4 Q. So are you telling me that the numbers proposed
5 by the hospital had nothing to do with how much the
6 hospital figured it could make by using the machine?

7 A. No, they did not. They had everything to do
8 with what we thought was a fair price to get them out
9 of the business.

10 Q. Is it typical for a hospital in deciding how
11 much it wants to pay for a piece of machinery to
12 ignore how much revenue it can obtain by using the
13 machinery?

14 A. Oh, no; and believe me, we had a pretty good
15 idea what kind of revenue we could generate from this;
16 but the relevant -- in this negotiation, we believed
17 that the relevant issue was what a fair price to pay
18 Vaccaro and Saleh to get out of the business was.

19 Q. So you were trying to give them a good deal,
20 not the hospital?

21 A. A fair deal.

22 Q. Regardless of whether that was a fair deal to
23 the hospital?

1 Q. It was a business arrangement for the hospital,
2 you were looking out for the hospital's interests;
3 correct?

4 A. And they were looking out for their interests
5 and we expected them to. You know, we wanted this to
6 be a fair deal.

7 MR. SIMPSON: Mark this as Exhibit 4.

8 (Leonhardt Deposition Exhibit No. 4 was
9 marked for identification.)

10 Q. What is this document, I guess?

11 A. This is an evaluation of the sublease agreement
12 with Vaccaro and Saleh, an independent evaluation.

13 Q. And it was prepared by Charles T. Day?

14 A. That's correct.

15 Q. For the hospital?

16 A. Yes.

17 Q. At your direction?

18 A. I don't know whether it was prepared at my
19 direction or at the direction of Horty & Springer.

20 Q. But it was for the hospital? It was prepared
21 for the hospital to evaluate the fair market value of
22 the arrangement -- the lease arrangement with V&S;
23 correct?

1 A. That's correct.

2 Q. And you considered it in that context; correct?

3 A. Absolutely, prior to signing the agreement.

4 Q. Prior to signing the --

5 A. Final lease agreement.

6 Q. Final October lease agreement?

7 A. That's correct.

8 Q. But after the agreement to agree?

9 A. Yes.

10 Q. If you'd turn to page 17, please, the last full
11 paragraph. It says that the "table shows the expected
12 quantitative revenues that would accrue to the
13 hospital with a noncompetition agreement in place and
14 a comparison of those benefits to the amounts payable
15 under the noncompetition agreement. This is based on
16 the assumption that the physicians would likely refer
17 this business to the hospital in the absence of a
18 financial interest in their own facilities or
19 services, although they are not required to do so by
20 virtue of any of the covenants contained in the
21 Agreements or otherwise."

22 Am I reading that right?

23 A. Yes.

1 (Lunch recess from 11:30 a.m. Until 12:05
2 p.m.)

3 Q. We just had been talking about this March 8th,
4 2003 meeting. Mr. Leonhardt, do you recall how the
5 discussions proceeded after that meeting in terms of
6 negotiating a dollar figure for payments under the
7 lease?

8 A. I recall that there was a significant amount of
9 back and forth between the attorneys and being
10 involved in discussions with probably mostly Mr.
11 Steinberg after that about the various iterations.

12 Q. Were you intimately involved in figuring out
13 what dollar figure to use for lease payments?

14 A. As involved as anybody was, yes.

15 Q. How did the parties ultimately arrive at the
16 numbers that were put in the lease?

17 A. By coming to I believe some kind of an
18 agreement about what a fair price was for Vaccaro and
19 Saleh to give up that line of business.

20 Q. Was it just a gut feeling or was there --

21 A. No. It was based on information back and
22 forth. You know, we based our offers on information
23 about the revenue that that was producing for them.

1 On a couple of occasions they -- you know, we were
2 reminding them that there were costs involved in that
3 also and were literally asking for information about
4 what is the cost of the drug, how much are you paying
5 to have radioactive waste taken away, what's your
6 license costing you.

7 Q. Did you view the amount that Vaccaro and Saleh
8 were making by using the machine as a proxy for what
9 the hospital could make?

10 A. No. Hospitals and physician practices are paid
11 differently for those services. They aren't paid
12 exactly the same.

13 Q. The hospitals are paid more; is that correct?

14 A. That's correct.

15 Q. Do you know how much more?

16 A. That's correct in most instances. That's a
17 generally true statement. I don't remember exactly
18 how much more.

19 Q. At some point this April agreement to agree was
20 entered into and then in October the final lease
21 agreement was entered into; right?

22 A. That's correct.

23 Q. Did you have to go to the boards to get

1 And we had discussed that issue previously and
2 I think you had mentioned that you were aware that
3 V&S's attorneys had made that accusation. And this is
4 the letter where they do make that accusation;
5 correct?

6 A. Right.

7 Q. Now, ultimately you entered into a lease
8 agreement and executed a final agreement in October;
9 correct?

10 A. Correct.

11 Q. After you entered into that agreement, what
12 happened to the nuclear camera?

13 A. For a period of time it continued to operate at
14 Vaccaro and Saleh's office.

15 Q. I just wanted to ask some questions about that,
16 but if you wanted to keep going -- were you finished
17 with that answer?

18 A. Until such time as we were able to get the
19 camera that we desired from Philips in place at the
20 hospital.

21 Q. Now, you had previously testified that you
22 didn't think it was a good idea for Bradford to lease
23 a camera and then leave it at V&S's office; correct?

1 A. Correct.

2 Q. So why did you ultimately decide to do that?

3 A. Because we couldn't get the camera from Philips
4 that we had wanted at the time that the lease was
5 entered into. It took us longer to get that than we
6 expected it to.

7 Q. All right. You had said that one of the
8 problems with doing it that way would be that other
9 physicians -- it wouldn't be as easy for them to refer
10 patients for tests to be performed on a camera at
11 V&S's office; correct?

12 A. That's correct.

13 Q. So for a period of -- do you know how long the
14 camera was at V&S's office?

15 A. I believe almost until March.

16 Q. So four or five months?

17 A. About four or five months.

18 Q. How was the camera used during that time?

19 A. It was used essentially by V&S's patients.

20 Q. Okay. It was used by V&S's patients but it was
21 Bradford's camera because you had subleased it?

22 A. We were leasing it at that point, yes.

23 Q. Did Bradford submit claims for tests performed

1 on that camera during that period of time?

2 A. No. V&S continued to submit the claims and
3 then provided us with an accounting and the revenue
4 from that.

5 Q. Did V&S submit the claims under their provider
6 number or under the hospital's?

7 A. I don't know the answer to that.

8 Q. How did the hospital make money off of the
9 camera during that period of time?

10 A. V&S provided us with the revenue.

11 Q. And did the hospital pay V&S a billing fee?

12 A. Yes.

13 Q. Was it ten percent?

14 A. Yes.

15 Q. Did the hospital pay V&S rent to keep the
16 equipment at their facility?

17 A. And to use the space, yes.

18 Q. Was that \$2500 a month?

19 A. Yes, it was.

20 Q. Did the hospital make any other payments to V&S
21 in connection with the equipment during that four or
22 five-month period?

23 A. I believe there were also expense offsets from

1 their revenue for the interpretation fees that they
2 were paying and for the cost of the drugs and for the
3 disposal of the nuclear waste.

4 Q. All right. What happened at the end of that
5 four or five-month period?

6 A. When we were able to get the camera from
7 Philips?

8 Q. Yes.

9 A. We began to operate the camera at the hospital.

10 Q. The Philips camera?

11 A. The Philips camera.

12 Q. I'm sorry. I wasn't very clear. What happened
13 to the GE camera, the old camera, after you got the
14 Philips camera?

15 A. There was a period of a couple of months where
16 Philips was trying to decide whether they wanted the
17 camera. The agreement with Philips was they would buy
18 the GE lease out early and their lease payment to
19 Vaccaro and Saleh would reflect that expenditure.

20 Q. Their lease payment from Vaccaro and Saleh?

21 A. From Vaccaro and Saleh. I'm sorry.

22 Q. What physically happened to the camera?

23 A. It stayed at Vaccaro and Saleh's office for a

1 A. Billing fee.

2 Q. Or billing fee. Associated other costs for
3 minor things, clerical things like that I think you
4 had said?

5 A. Yes.

6 Q. And then it paid \$200,000 to terminate the
7 lease early; correct?

8 A. Not until the Philips camera arrived and then
9 that would have been part of the lease payments.

10 Q. But you did pay that?

11 A. Ultimately, yes.

12 Q. Well, the Philips camera had its own lease
13 payments; correct?

14 A. Yes, but those didn't begin -- the reason that
15 the camera continued to operate in Vaccaro and Saleh's
16 office is that the Philips camera and the arrangement
17 between Philips and GE took longer to accomplish than
18 any of us anticipated. At that point in time, if we
19 had shut the GE camera down, we didn't have the
20 capacity to accept and do the diagnostic work on
21 Vaccaro and Saleh's patients with only one camera.

22 Q. You could have waited four or five more months
23 before entering into the lease agreement.

1 A. Had we known it was going to take Philips four
2 or five months longer than they said it was going to
3 take them to deliver the camera, that's likely what we
4 would have done. Those decisions were essentially
5 being made every month with Philips saying it will be
6 here next week or the week after that or the week
7 after that.

8 Q. Well, if the Philips camera had gotten there
9 after one month, you still would have had to terminate
10 the GE lease early?

11 A. Oh, absolutely. Yeah.

12 Q. That's a big obligation that the hospital
13 saddled itself with; don't you agree?

14 A. Yeah. \$200,000 to terminate the lease early,
15 you know, that was the agreement that Vaccaro and
16 Saleh had with GE, but that was a hefty price.

17 Q. And that was in addition to your noncompete
18 payments and it was in addition to the pass through
19 payments for each of the two leases?

20 A. Yes. You do understand that there were no
21 payments to Philips either for the pass through or for
22 the termination until they delivered their equipment
23 and we began to use it.

1 A. I don't know for sure.

2 (Leonhardt Deposition Exhibit No. 8 was
3 marked for identification.)

4 Q. I'm showing you Exhibit 8 which is an October
5 2nd, 2003 letter to you from Drs. Saleh and Vaccaro.
6 Do you recall receiving this letter?

7 A. Yes.

8 Q. Does it accurately reflect those additional
9 charges that we had discussed previously in connection
10 with keeping the old camera at V&S's property?

11 A. Yeah, I believe so.

12 Q. Are you aware of any other situation where a
13 hospital has entered into a sublease of a piece of
14 equipment that it intends to use only for a few months
15 and thereby incurred an obligation to pay \$200,000 to
16 terminate the lease early?

17 MR. MULHOLLAND: You're asking for his
18 personal awareness, not expert testimony;
19 correct?

20 Q. I'm asking if you're aware.

21 A. No, I'm not aware of any arrangements like
22 that.

23 Q. The equipment sublease provides that the

C E R T I F I C A T E

COMMONWEALTH OF PENNSYLVANIA :
 : SS.:
 COUNTY OF ALLEGHENY :

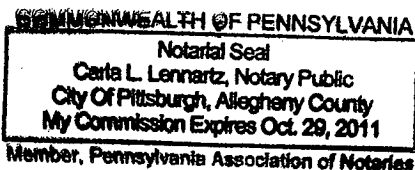
I, Carla L. Lennartz, a Notary Public in and for the Commonwealth of Pennsylvania, do hereby certify that before me personally appeared GEORGE LEONHARDT, the witness herein, who then was by me first duly cautioned and sworn to testify the truth, the whole truth and nothing but the truth in the taking of his oral deposition in the cause aforesaid; that the testimony then given by him as above set forth was reduced to stenotypy by me, in the presence of said witness, and afterwards transcribed by computer-aided transcription under my direction.

I do further certify that this deposition was taken at the time and place specified in the foregoing caption, signature was not waived.

I do further certify that I am not a relative of or counsel or attorney for any party hereto, nor am I otherwise interested in the event of this action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Pittsburgh, Pennsylvania, on this 10th of April, 2008.

The foregoing certification does not apply to any reproduction of this transcript in any respect unless under the direct control and/or direction of the certifying reporter.



Carla L. Lennartz

Carla L. Lennartz, Notary Public
 in and for the Commonwealth of
 Pennsylvania

My commission expires October 29, 2011.